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### Ethnicity, Migration, and Entrepreneurship in Indonesia

<sup>\*1</sup>Cahyono, Erwin, <sup>2</sup>Syafitri, Wildan & <sup>3</sup>Susilo

- <sup>\*1</sup> Pemerintahan Kabupaten Tulungagung
- <sup>2</sup> Universitas Brawijaya, Malang, Indonesia
- <sup>3</sup> Universitas Brawijaya, Malang, Indonesia

Note: \* Indicates corresponding author

## ARTICLE DETAILS ABSTRACT Article History Extant studies demonstrate the vital roles of ethnicity group and Published Online: publisher use only Keywords Ethnicity; Migration; entrepreneurship; IFLS. \*Corresponding Author Email: erwin.cahyono.9@gmail.com

culture influencing individual intention and decision to become an entrepreneur. Meanwhile, in the entrepreneurial decision, each ethnic group has different preferences regarding where to run it, at the origin or overseas. This study examines the roles of group ethnicity and culture in affecting the likelihood of an individual's choosing entrepreneurship as their occupation using the combined data of the Indonesian Family Life Survey (IFLS) and the Population Census Report. Our findings substantiate that group ethnicity and culture significantly influence the likelihood of entrepreneurial decisions. Furthermore, using Javanese as a reference, we found the Balinese, Batak, Chinese, South Sumatran, and Minangkabau tend towards entrepreneurship. The difference is that the Balinese, Batak, Chinese, and South Sumatran tend to run their business around where they live, while the Minangkabau are overseas.

#### INTRODUCTION 1.

Economists agree the optimal number of entrepreneurs is considered a solid foundation in a country's economic building system (Ciputra, 2009). For example, as the world's most entrepreneurial, dynamic, and flexible economy, the dynamism and flexibility of the United States have allowed its economy to adapt to changing circumstances and recover from the recession in a strong way (Decker, Haltiwanger, Jarmin, & Miranda, 2014).

However, a different fact is happened through most developing countries, including Indonesia, there are not enough number entrepreneurs. In Indonesia, the number of entrepreneurs in 2020 according to the State Minister for Cooperatives Small and Medium Enterprises is only 3.5% (2017), or only around 9 million people from 260 million of the total population. Meanwhile, in most developed countries, the ratio of entrepreneurs is 14% of the total population.

It needs to be a concern because the Indonesian culture thinks that formal work is still the primary choice as a future goal. An entrepreneur is considered to be full of risk because he put himself against the possibility of shocks from his company, while the manager (employee) is the more relatively safe position in working with the salary he receives (Hadiyati, 2011). That is why entrepreneurship is always seen as the last alternative after failure in trying to get a formal occupation for most job seekers in Indonesia.

Entrepreneurship has been articulated as a reflection of the robustness of a new field. which sprouts with new ideas and thoughts (Gartner, 1990). Meanwhile, the oldest opinion that has used a formal theory of the concept of entrepreneurship appeared in the work of Richard Cantillon around the 1730s (Wayne, 1983). According to Cantillon, an entrepreneur is defined as an independent worker, who carries out his activities according to market needs. These entrepreneurs are always able to see opportunities in the field, develop them, and then open new businesses.

In the neoclassical era, entrepreneurship theory was marked by the emergence of the term "Creative Destruction" in the 1950s, popularized by Joseph Schumpeter. According to Schumpeter, this "Creative Destruction" describes a process of industrial change that revolutionizes continually the economic structure endlessly from within, and destroys the old, then creates innovations. He emphasized that entrepreneurs can do new things or do already things, but done in new ways (Schumpeter, 1947). After that, the entrepreneurial approach developed into a variety of multi-disciplines. We can see entrepreneurial activity from the opportunity factor, technology, and the human factor itself. Till the modern theories show a linkage of environmental factors (culture/ethnicity) to entrepreneurship.

Entrepreneurial decisions, in general, are often considered as choices that are taken and made personally, even though the process of initiating an entrepreneurial process actually not only arises from the foundation of one's intuition, there are group and cultural influences (Morrison, 2000). The evidence suggests that between culture and entrepreneurship interaction is seen stronger in some ethnic group's case than for other factors (A. Basu & Altinay, 2002). It means that apart from hereditary biological factors and visible physical characteristics, each ethnicity has different personality traits, as well as different cultural values and norms (Rossiter & Chan, 1998). According to Rossiter and Chan, these cultural values and norms have a large genetic component. Anthropologists pay attention to how a child is taught in a specific culture, for example, the way he is named, the way he is carried and then taught to walk, talk, how he is placed in the kinship system, how he acquires property, how he is initiated, married, and until he is buried (Mead, 1963). So the chances of being passed on to the next generation also have a great opportunity. Even on basic economic problems, this cultural hypothesis can be rigorously tested and might be considered significant, such as concerning individual savings rates (Guiso, Sapienza, & Zingales, 2006).

Indarti (2020) classifies the approaches used for ethnicity and entrepreneurship into three categories: (1) The socio-cultural field; (2) The socio-economic field; and (3) The combination of socio-cultural and economics fields. The socio-cultural theory was based on Bandura (1978), which states that a person's behavior patterns occur from the results of observing and imitating the behavior of others. It illustrates the intention of an ethnic group that opens a business based on imitating the other members. This theory helps explain environmental factors such as "role models" that motivate ethnic group members to become entrepreneurs as a career choice.

In the socio-economic field, migration is noticed as affecting entrepreneurship. Due to differences in regional characteristics, it is possible to obtain more economic benefits in other regions. Dorigo & Tobler (1983) stated that to achieve better economic conditions and opportunities, the decision to move to another area could be an option. Furthermore, the theory of bootstrap capitalism (D. Basu & Werbner, 2001) also explains how ethnic minorities build their businesses from limited capital and then trying to determine their economic means by immersing themselves in this new environment.

The combination of socio-cultural and economic fields viewpoints is that it compliments each other in explaining how ethnic workers can survive and view their minority status towards the ethnicities they meet in overseas areas. In this perspective, the minority's economic status is in the middle position. So, to being survived, they must be able to mingle with the community, then build their business in the economic system in the area (Bonacich, 1973).

Related to the ethnicity's influence on Indonesian migration culture, Auwalin (2019) argues that ethnic identity has a role in each migration decision. It turns out that each ethnic group has a different tendency towards migrating decisions. Some studies conclude, those who decide to migrate hope for higher economic benefits by moving, more than they obtained when choosing to stay in their homeland (Levie, 2007; Williams, Baláz, Wallace, & Williams, 2004).

Research based on Indonesian Family Life Survey (IFLS) 2015 (Strauss, Witoelar, & Sikoki, 2016). The object is the Indonesian population of various ethnic groups, that the dataset sample is 83% of Indonesia's population representation. The sampling consisted of more than 30,000 individuals who were surveyed in 13 provinces across Indonesia. As a consideration in acquiring accurate and reliable research objects, research also involves Population Census Central Statistics Result data by the Agency/Badan Pusat Statistik (BPS). The combination of data from IFLS and BPS is expected will produce a strong conclusion and fulfill the research principles.

The number of entrepreneurs in Indonesia

is a representation of all different ethnicities. Due to the dominating number, we use Javanese as a reference by other tribes. We hypothesize that there are ethnic groups that have a dominant role in the data compared to Javanese. Hence, the main object of this research is analyzing ethnic groups that have a higher proportion in shaping the entrepreneur's composition in Indonesia. And then analyze how individual and household characteristics in making entrepreneurial decisions. It can be a valuable basis for strategic planning to increase the number of entrepreneurs in Indonesia.

We use 12 ethnic groups in Indonesia with the largest population level, which is more than 2 million people based on the 2010 Population Census enumeration, as observation objects. The 12 ethnic groups are Javanese, Sundanese, Balinese, Batak, Bugis, Chinese, Madurese, Sasak, Minangkabau, Banjar, Betawi, and South Sumatran.

For the statistical method, we use logistic rearession. This mathematical modelina approach can be applied to describe a relationship of several independent variables to a dichotomy of the dependent variable (Latan, 2014, p. 215). In this logistic regression, a Maximum Likelihood estimation method is used when this method maximizes the probability of the observed value from the data set (Hosmer & Lemeshow, 2000, p. 8). The conditions, a large number of samples are required to get a safe estimate. We have from the IFLS, a large number of survey data were provided with more than 1000 samples for each variable. Therefore, this assumption can be fulfilled properly.

The model used is as follows:

 $\log \frac{p}{1-p} = \beta_0 + \beta_i ethnicity_i + \beta_i migration + \beta_i (ethnicity * migration)_i +$ 

 $\beta_i individual\_characteristics_i + \beta_i household\_characteristics_i$ 

of Where, р is the possibility Entrepreneurship (dependent variable),  $\beta_0$  is the variable regression coefficient,  $\beta_i ethnicity_i$  is the main independent variable, namely the largest ethnicitv in Indonesia,  $\beta_2 migration$  is the migration variable,  $\beta_i(ethnicity * migration)_i$  represents ethnicity which has the influence of migration interaction an variable, as  $\beta_i$  individual characteristics, are independent variables of individual characteristics there are gender, marital status, muslim/non ade. muslim, obedience, education, read ability, and health.  $\beta_i$  household characteristics; are independent variables household of characteristics, there are consumption expenditure, parental education, parents' job,

Dominant income in the family, rural/urban, family size, and no job status. *i* is the 1,2,3 predictor variable,... n.

#### 2. FINDINGS

#### 2.1 Ethnic Distribution

With a density level being ranked 4th in global after China, India, and the United States, Indonesia has a very great ethnic diversity. Within these ethnic groups, Indonesians are loyal to kinship, regional, and local groupings, and often their behavior is influenced by group norms formalized into customary law (Hugo, 2015). Thus each ethnic group in Indonesia has different unique traditions and cultures.

The 2010 Population Census report said there are at least 1,340 different ethnic groups in Indonesia, with more than 30 ethnic groups have more than 1 million population (Badan Pusat Statistik, 2012). Figure 1 is the percentage of the ethnic population based on the largest order in Indonesia. The Javanese are the most numerous ethnic groups, as much as 40% spread throughout Indonesia.





Source: BPS, 2012

BPS classified Indonesia's has administrative areas into seven regional groups based on the largest islands. Specifically are Sumatra, Java and Bali, Nusa Tenggara, Kalimantan, Sulawesi, Maluku, and Papua. Table 1 shows the results of the 2010 Population Census and the 2000 Population Census. The table shows that Indonesian ethnicities spread out to the archipelago peripheral not only live in their origin.

Furthermore, it also explains the ethnic distribution direction in the seven Administrative Regions shows a constant pattern. Although the numbers fluctuate, the proportion of tribes that migrate and spread out is relatively the same from year to year. The trend towards migration destinations does not correlate with the distance range of the origin.

An example is the Banjar, which tends more to migrate to Java or Sumatra than to Sulawesi, which is nearer. Or the Bugis that is more likely to migrate to Sumatra than to Nusa Tenggara. It implies the fact that ethnic tendencies to migrate to certain areas is affected by the direction of their predecessors' migration habits.

Table 1. Ethnic Distribution in 7 Administrative Regions in Indonesia
SP 2010 and SP 2000

Administrative Region	Javanese		Sundanese		Minang		Sasak		Balinese		Batak	
Auministrative Region	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000
Sumatra	15.239.275	12.425.981	1.231.888	997.961	5.799.001	4.934.770	9.225	N/A	153.107	N/A	7.302.330	N/A
Java and Bali	76.125.459	68.607.006	35.220.057	29.786.365	631.462	515.313	34.546	N/A	3.407.457	N/A	1.030.385	N/A
Nusa Tenggara	133.427	87.135	6.453	4.573	4.225	2.363	3.035.698	N/A	125.974	N/A	4.804	N/A
Borneo	2.499.950	1.778.714	158.276	127.003	17.420	13.719	40.412	N/A	29.907	N/A	88.363	N/A
Sulawesi	772.428	567.591	57.411	41.993	5.150	7.061	46.365	N/A	225.259	N/A	15.287	N/A
Maluku	122.064	74.763	7.049	3.456	2.730	611	508	N/A	1.861	N/A	2.371	N/A
Papua	344.419	211.663	20.536	17.053	2.725	1.308	3.035	N/A	2.851	N/A	23.429	N/A
	Bugis		Banjar		Betawi		South Sumatran		Madurese		Chinese	
	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000
Sumatra	348.272	244.430	472.365	216.581	38.445	29.233	1.379.351	N/A	44.079	37.980	642.133	N/A
Java and Bali	155.633	98.189	38.142	37.333	6.753.205	4.998.330	31.257	N/A	6.700.826	6.371.078	1.481.767	N/A
Nusa Tenggara	42.446	33.610	1.283	993	2.042	940	225	N/A	3.692	2.734	15.407	N/A
Borneo	951.363	643.697	3.605.770	3.071.842	8.963	5.754	3.381	N/A	416.362	332.355	409.338	N/A
Sulawesi	4.687.190	3.911.782	8.773	7.456	3.960	4.997	451	N/A	6.595	9.436	69.667	N/A
Maluku	46.053	18.974	315	253	3.679	343	145	N/A	1.938	1.383	6.860	N/A
Papua	128.743	59.604	492	365	1.160	2.091	737	N/A	4.842	2.595	5.830	N/A

Source: BPS, compiled

The interesting is when viewed by the number of ethnic diversity based on administrative regions/islands, Java Island as the original of the Javanese is the least diverse compared to other administrative, as in Figure 2. Based on its diversity, Papua Island is the most varied, which has 465 ethnic groups. Nevertheless, the population of each tribe is less than one million people. In this report, ethnic groups with populations of one million or more are considered separate groups (Na'im & Syaputra, 2011).



#### Figure 2. Number of Tribes According to 7 Administrative Regions

#### Source: BPS, 2012

The observations also show the ratio of outgoing temporary migrants throughout Indonesia from 1980 to 2015 is relatively fixed in rank, as recorded in BPS data (Figure 3). We have calculated 58% of the total outgoing migrants from all outgoing migration in Indonesia are from Java-Bali's ethnic group, 23% of out-migrants in Indonesia are from Sumatra's ethnic group, and 7% are from Borneo's (Kalimantan) ethnic group. Meanwhile, Sulawesi at 6.5%, Papua at 1.5%, and Maluku at 0.9%.

The migration decision to the destination place must be not only based on just speculation, considering that migration requires funds to support such as for transportation and accommodation. Till mastery of references about the characteristics of the destination from their predecessors is very necessary for successors.

Faculty of Economics and Business, Universitas Brawijaya



#### Figure 3. Recent Migration in 1980-2015

Source: BPS, compiled

#### 2.2 Ethnic Identification in IFLS 5

The object of observation came from IFLS 5 secondary microdata. In practice, there were constraints related to the completeness of the data in the dataset. For example, there are blank data or data with ambiguity. In the ethnic database, there are two or more ethnic characteristics in an individual respondent are often found. It can happen if his parents come from two or more different ethnicities until the respondent thinks part of both. For this reason, we synchronize the data from the regional languages used and the most controlled by the respondents to determine a stronger tendency for their ethnic history.

For blank data, we synchronize with their parent's ethnicities and also their most spoken regional language. After these procedures, we compare the Population Census data with the IFLS 5 samples, and the outcome is relatively the same and has comparable proportionality. With these results, data can be good accuracy executed according to the real data in the field.

#### 2.3 Entrepreneurship Comparison

We identified an entrepreneur by the primary economic activity status. They are Self-Employment, Self-Employment assisted bv temporary employees, and Self-Employment assisted bv permanent employees. Furthermore, in simple analysis, we used the cross-tabulation method. As a result, we found that entrepreneurs which Self-Employment status, and Self-Employment assisted by temporary employee status, had a far higher ratio when compared to Self-Employment assisted by permanent employee status (Table 2). This trend has not changed for migrant entrepreneurs. Meanwhile, when the entrepreneur is compared with all kinds of employment status, entrepreneurial still far from desirable in-demand. Moreover, more than 50% of the migrant population works as laborers/employees.

Table 2. Comparison	of entrepreneur and	non-entrepreneur
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		Entrepreneur		Non Entre	oreneur			
	Self- Employment	Assisted by temporary employee	Aassisted by permanent employee	%	Laborers/ Employees	Others	%	Total
<u>Non Migrant</u>	5.522	6.180	610		10.454	6.546		29.312

%	18,8	21,1	2,01	42,0	35,7	22,33	58,0	100
<u>Migrant</u>	1.986	1.754	254		6.836	2.558		13.388
%	14,8	13,1	1,1	29,1	51,0	19,11	70,2	100
Source: IFLS 5, 2	2015			•				

Table 3 indicates the entrepreneurs with migrant status do not have gender domination. The data shows that the ratio of male migrant entrepreneurs and female migrant entrepreneurs are in the same range, about 29%, only 0.19% more is for male. The table also shows that the marital status in entrepreneurial decisions is dominated by married, either as migrant entrepreneurs or non-migrant entrepreneurs. Data on nonmigrant entrepreneurs shows that married is above 40% dominant compared to single. Meanwhile, married migrant entrepreneurs are above 30% dominant compared to the single migrant entrepreneurs at below 19%.

Table 3. Comp	parison of The	Entrepreneurs,	Migrants and	d Gender
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	Entrepreneurs	Non-Entrepreneurs
Non-Migrant	41,75%	58,25%
Female	40,03%	59,97%
Single	39,98%	60,02%
Married	40,05%	59,95%
Male	43,23%	56,77%
Single	20,99%	79,01%
Married	49,27%	50,73%
Migrant	29,61%	70,39%
Female	29,49%	70,51%
Single	18,60%	81,40%
Married	32,45%	67,55%
Male	29,68%	70,32%
Single	17,68%	82,32%
Married	32,94%	67,06%
Total	37,91%	62,09%

Source: IFLS 5, 2015

The summary of the education level and age towards entrepreneurship in Indonesia is shown on Table 4. The data show that selfemployed are predominantly in basic education (primary school, junior high school, and senior high school). Those with higher levels of education are less likely to be an entrepreneur. It applies to both those who migrate and those who do not. Meanwhile, the age variable shows a parabolic curve pattern. Those who are predominantly entrepreneurial are those who are over 26 years old, then slope with retirement. However, the number of entrepreneurs over retirement is still quite a lot.

Table 4. Compariso	n of The Entr	epreneurship, E	ducation, and Age
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	Entrepreneurs											No Entrepr	n- eneurs	Total	
					A	lge					То	tal	Total		Number
	15-25	%	26-35	%	36-45	%	46-55	%	>56	%	Total	%	Total	%	
Non-Migrants	634	2,23%	2356	8,28%	3170	11,14%	2800	9,84%	2672	9,39%	11632	40,87%	16830	59,13%	28462
Boarding school	4	7,14%	4	7,14%	18	32,14%	2	3,57%	2	3,57%	30	53,57%	26	46,43%	56
Primary School	122	1,12%	698	6,40%	1178	10,80%	1638	15,02%	1894	17,37%	5530	50,71%	5376	49,29%	10906
Junior High School	164	3,09%	600	11,29%	630	11,86%	464	8,73%	396	7,45%	2254	42,42%	3060	57,58%	5314
Senior High School	252	2,88%	836	9,54%	1090	12,44%	570	6,51%	280	3,20%	3028	34,56%	5734	65,44%	8762
Diploma	16	1,88%	84	9,88%	86	10,12%	50	5,88%	50	5,88%	286	33,65%	564	66,35%	850
Bachelor	76	3,18%	132	5,52%	162	6,77%	76	3,18%	44	1,84%	490	20,48%	1902	79,52%	2392
Master	0	0,00%	2	1,14%	4	2,27%	0	0,00%	6	3,41%	12	6,82%	164	93,18%	176
Doctoral	0	0,00%	0	0,00%	2	33,33%	0	0,00%	0	0,00%	2	33,33%	4	66,67%	6
Migrants	538	3,91%	1702	12,38%	1058	7,69%	434	3,16%	302	2,20%	4034	29,33%	9718	70,67%	13752
Boarding school	2	7,14%	4	14,29%	0	0,00%	0	0,00%	0	0,00%	6	21,43%	22	78,57%	28
Primary School	84	3,05%	312	11,34%	308	11,19%	180	6,54%	196	7,12%	1080	39,24%	1672	60,76%	2752
Junior High School	118	4,82%	368	15,03%	216	8,82%	66	2,70%	40	1,63%	808	33,01%	1640	66,99%	2448
Senior High School	208	3,94%	724	13,71%	402	7,61%	134	2,54%	44	0,83%	1512	28,64%	3768	71,36%	5280
Diploma	28	3,37%	102	12,29%	50	6,02%	20	2,41%	10	1,20%	210	25,30%	620	74,70%	830
Bachelor	98	4,36%	186	8,27%	80	3,56%	34	1,51%	8	0,36%	406	18,04%	1844	81,96%	2250
Master	0	0,00%	6	3,90%	2	1,30%	0	0,00%	2	1,30%	10	6,49%	144	93,51%	154
Doctoral	0	0,00%	0	0,00%	0	0,00%	0	0,00%	2	20,00%	2	20,00%	8	80,00%	10

Source: IFLS 5, 2015

#### 2.4 Data Analyzing

The model of logistic regression also adding individual characteristics and household characteristics. In the test of ethnic tendencies in entrepreneurship, the model uses Javanese ethnicity as the base category. This ethnicity is used as a reference because its largest population among other ethnicities. We can construe the ethnic groups in Indonesia that tend to be entrepreneurial compared to Javanese are Balinese, Batak, Chinese, and South Sumatra. With an error rate below 5% (Table 5).

# Table 5. Ethnic Estimation Results in Indonesiaon Entrepreneurial Decisions

	No Migratio	n Factor	With Migration	on Factor	No Migratio	on Factor	With Migration Factor		
Ethnic	Odds Ratio	P > (z)	Odds Ratio	P > (z)	Marginal Effect	P > (z)	Marginal Effect	P > (z)	
Sundanese	0,962460	0,625	0,998758	0,993	-0,009	0,624	0,000	0,993	
Balinese	1,385960	0,044**	1,164755	0,464	0,077	0,05**	0,031	0,471	
Batak	1,460319	0,004***	1,320055	0,093*	0,090	0,005***	0,058	0,100	
Bugis	1,334623	0,061*	1,231780	0,401	0,068	0,068	0,043	0,411	
Chinese	3,895962	0,025**	0,801242	0,767	0,327	0,014**	-0,043	0,758	
Madurese	0,975026	0,883	1,015270	0,961	-0,006	0,883	0,003	0,961	
Sasak	0,994644	0,972	0,843110	0,509	-0,001	0,972	-0,033	0,498	
Minang	1,003705	0,974	1,970479	0,000***	0,001	0,974	0,146	0,000***	
Banjar	1,055703	0,659	1,415406	0,088*	0,012	0,661	0,073	0,097*	
Betawi	1,123546	0,444	0,625244	0,134	0,027	0,45	-0,087	0,104	
South Sumatran	1,400064	0,013**	1,066677	0,751	0,080	0,015**	0,013	0,753	
Migration	0,719410	0.000 ***							

Source: IFLS 5. compiled

	,			
*P < 0,1	Number of obs	11216	Prob > chi2	
**P < 0,05	LR chi2(40)	1355,68	Pseudo R2	
***P < 0.01				

We also conducted a test by adding migration as an interaction variable to see the trend of the ethnic entrepreneurs overseas. The empirical fact that we found is the Minang has the highest level of significance with an error rate of below 1%, as the ethnics who migrate and become overseas entrepreneurs. These findings complement previous research that concluded the Minangkabau ethnic tradition in migrating aims to be entrepreneurial. Meanwhile, if the margin of error is 10% raised, the Banjar and the Batak also tend to migrate and then decide to become entrepreneurs. The most interesting is the odds ratio value of the Chinese are different between the individuals who have migration factor and those who have not. We found the Chinese ethnic groups are more likely to be entrepreneurs, but it does not happen when there is a migration intervention. It means that they only tend to be entrepreneurs in the area around where they live.

To measure each independent variable effects on the probability of entrepreneurship, we use the Marginal Effect Method (dy/dx). With a 5% error level of significance, assuming the other variables are considered constant.

0,0000 0,0908

The results are the Chinese ethnic group tends 32% to prefer entrepreneurship compared to Javanese ethnicity. Meanwhile, the Balinese are more to be entrepreneurial by 7.7% compared to the Javanese. The Batak ethnic group tends to be 9% likely to choose entrepreneurship than the Javanese. And, the South Sumatra ethnic group tends to be 8% more entrepreneurial than the Javanese. When we add the migration interaction variable to the maximum value, the results show that the Minang ethnic group tends to be more entrepreneurial by 14% compared to Javanese ethnicity.

Furthermore, regarding the effect of individual characteristics (Table 6), the statistical calculations show that age, marital status, muslim, religious, and length of study have significant effects on the model. Regarding the variable length of education, previous literature said that the longer a person takes education, the less likely he is to be an entrepreneur. To prove this, we deliberately entered the quadratic variable to see the peak point of the length of time he studied. This theory based on (Wooldridge, 2013, p. 195) where the x and  $x^2$  turning points got denoted in the formula:  $\beta_1 / (2\beta_2)$ ,  $\beta_1$  is the coefficient of

the variable x, while  $\beta 2$  is the coefficient of x<sup>2</sup>. Wooldridge argued that if the coefficient on x is positive and the coefficient on x<sup>2</sup> is negative, then the square has a parabolic shape. So that the statistical results obtained 0,3048235 / (2 \* 0,0177533) = 8,585. It means that the critical point for someone to choose entrepreneurship is when the length of time they have their

education is 8,6 years. Below and above this figure, the tendency for someone to choose self-employment will decrease. These findings support Mesch (1997), which shows that education and entrepreneurship are negatively related. The higher education, then the lower opportunities to open a business.

Table 6.	<b>Estimation Results of Individual Characteristics</b>	Variables
	on Entrepreneurial Decisions	

Independent Variable	Coefficient	Standard Error	Odds Ratio	P > (z)	Marginal Effect
Age	0,0387419	0,0021811	1,039502	0,000 ***	0,00901
Male	0,0038308	0,0427886	1,003838	0,929	0,00089
Married	0,2693345	0,0650674	1,309093	0,000 ***	0,06264
Muslim	0,2844332	0,1111394	1,329008	0,010 **	0,06616
Religious	0,0881367	0,0431924	1,092137	0,041 **	0,02050
Education year	0,3048235	0,0432988	1,356386	0,000 ***	
Education year quadratic	-0,0177533	0,0020424	0,982403	0,000 ***	
Read	0,1424848	0,132565	1,153136	0,282	0,03314
Health	0,0041328	0,0533493	1,004141	0,938	0,00096

Source: IFLS 5, compiled

Constanta = -4,685012

\*P < 0,1 \*\*P < 0,05 \*\*\*P < 0,001

As the results of estimating marginal effects, the tendency of each variable to entrepreneurship is relatively small. The age variable has a significant impact, with a p-value of 0,000 and a marginal effect of 0,009, which means that each increase in age has a probability increase of 0,09% for self-employment. Meanwhile, married status has a probability of becoming an entrepreneur by

6%. The Muslim variable shows a p-value of 0,010, which means it is statistically significant. So we can conclude that a Muslim is 6% more likely to be entrepreneurial than a non-Muslim. Regarding religious adherence to the tendency to choose entrepreneurship, the more obedient a person is in religion, the more likely he is to determine entrepreneurship by 2%, with a p-value of 0.041.

 Table 7. Estimation Results of Household Characteristics Variables

 on Entrepreneurial Decisions

Independent Variable	Coef.	Standard Error	Odds Ratio	P > (z)	Marginal Effect
Consumption expenditure:					
Food Consumption	0,022258	0,00591	1,022507	0,000 ***	0,00518
Non-Food Consumption	0,000261	0,00008	1,000261	0,001 ***	0,00006
Parent's education year	0,038993	0,01821	1,039763	0,032 **	0,00907
Parent's as entrepreneur	0,334531	0,04818	1,397284	0,000 ***	0,07781
Dominant income in the family	0,303708	0,04905	1,354873	0,000 ***	0,07064
Rural	0,262367	0,04641	1,300003	0,000 ***	0,06102
Household size when kids	-0,028241	0,03280	0,972154	0,389	-0,00657
No Job	-0,213099	0,08859	0,808076	0,016 **	-0,04956

Source: IFLS 5, compiled Constanta = -4,276468

\*\*P < 0,05 \*\*\*P < 0,001

In the household characteristic variable (Table 7), we put variables relevant to the

influence of entrepreneurship. We use the level of consumption as the core variable in

economic problems expenditure. The result shows that both food and non-food have a significant effect. Likewise, the environmental influence such as; the parent's job, the dominant occupation in the family, and the rural location, have a significant effect with an error rate of below 1%. Meanwhile, the parents' education level and the no job status have a significant impact with an error rate below 5%.

From the table, we can sum up that food consumption expenditure is significant by a 0,5%. Meanwhile, margin of non-food consumption is even smaller. It implies that although the expenditures variables are statistically significant, the percentage likely to influence entrepreneurial tendencies is small. On the other hand, the influence of the environment as measured by the type of work of the parents, and the majority of family members are also entrepreneurs, the results show that a 7% margin tends to influence an individual's decision to become an entrepreneur as well. However, the level of parental education only affects 0,9% of the of individuals to become tendency entrepreneurs. For the location factor, the statistical results show that 6% of those who are self-employed tend to be in rural areas than in urban areas. Meanwhile, the unemployment status shows a significance with a p-value of 0,016 and a margin of -0,049, meaning that those who do not work prefer not to become entrepreneurs with a probability of 0,49%.

#### 3. DISCUSSION

Because of the largest population, we use the Javanese tribe as the primary comparison to other ethnicities in the model. The statistical result shows that the ethnic tendencies in choosing to become entrepreneurs are very diverse. Among them are the Balinese, Batak, Chinese, and South Sumatran tribes. The four ethnic groups tend to be entrepreneurs where they live. The second finding is that some ethnic groups tend to do entrepreneurship in overseas areas but not in their areas. The significance Minang has а high for entrepreneurial decisions when the influence of migration is further. It is enriching previous research, which states that in matrilineal culture, such as women in Minang, women play a dominant role in the culture. As a result, the Minang men will leave their hometowns (migrating) to another county to speculate after graduating from high school or college (Hastuti, Thoyib, Troena, & Setiawan, 2015).

Several previous studies concluded the strength of migratory culture in certain ethnic groups in Indonesia. As in the Bugis, Madurese, and others. However, if we look from the tendency of the types of work occupied, entrepreneurship may not be the primary choice overseas. For example, in older the Bugis settlements, most traders were found, while new emigrants, indicating more sailors who mostly moved to ports in Java and to be a farmer, who was interested in a virgin forest on the Jambi coast and Indragiri in Sumatra (Lineton, 1975). In other words, they prefer to be free workers.

There are also notable differences in the influence of individual characteristics on entrepreneurship. The majority of those who are entrepreneurs are married. We can assume that a married person will have a smaller chance of getting a formal job because the job qualification does not accommodate it. By economic purpose, they prioritize official sector work, as employees (both public and private) or laborers at a young age, before being 'forced' into entrepreneurship.

Meanwhile, the length of education has a significant effect. When tested with a turning point, the tendency of entrepreneurship will decrease when education goes higher. It explains the BPS data that people with higher education tend to choose as employees, both public and private, rather than applying knowledge and theoretical insights in creating jobs.

Age has a significant impact, which means that the higher the age, the greater the tendency to entrepreneurship, while health is not statistically significant. However, in terms of gender, entrepreneurs are not dominated by men or women. It is acceptable because basically everyone can have a level of creativity and motivation regardless of gender status.

The previous research discussed how religion influences entrepreneurial decisions. It stated that religious teachings about prohibition, an instance at interest loans, or caste rules, are a factor that holds back entrepreneurial ruling. It also discussed how entrepreneurial decisions inspire by one's faith. As Max Weber (1904) in Dana (2009), comparing Protestants and Catholics in Baden Germany to the tendency to entrepreneurship through the tax rate, the result is that Protestants are more masters of entrepreneurship than Catholics. Meanwhile, in Islamic teachings, religion encourages its followers to do business to avoid other nonhalal income. In this entrepreneurship research, at the 5% error rate, Islam (Muslim) has a more significant effect than non-Muslims. Passingly, if we test a person's level of devotion to their respective religions, it indicates those who show obedience in practicing religion have the probability of more entrepreneurial.

Regarding household characteristics, the tendency of parents' jobs and the most dominant occupation in the same family history, which is as an entrepreneur, has a significant effect on entrepreneurial choice. It is further strengthening the theory that culture someone's behavior influences from generation to generation. Besides, local environmental groups also influence in determining entrepreneurial decisions.

Meanwhile, on consumption expenditure measures, both food or non-food consumption show a significant trend in entrepreneurship, but with a small result. We can interpret that entrepreneurial tendency can be measured from their expenses, even with a low level of significance. From the educational factor, the statistical analysis result shows that the highest tend to choose entrepreneurship is when the length of education is 8.5 years. It means that less and above this period. someone prefers other jobs than to be an entrepreneur. Meanwhile, the length of time of education indicates someone with a junior high school education. Over that time are high school graduates and above. Unfortunately, due to the reasons of risk, business shocks, and financial reasons, people with better education tend to be reluctant to become interested in entrepreneurship (Hadiyati, 2011). It is causing why people prefer to wait for job opportunities in the formal sector, such as private/public employees. The negative impact is, contributing to the number of open unemployment, which has always been a problem in Indonesia from year to year. As the Official Statistics News report released by BPS, the highest open unemployment rate from 2015 to 2020 is dominated by high school/vocational school, diploma, and university graduates.

Entrepreneurship is also still considered an alternative when formal sector jobs have not been yet. It is base on the analysis of respondent's status as not working/no job has a significant effect on entrepreneurship, even with a negative trend. We can assume that those who are looking for an occupation, tend not to choose entrepreneurship as their job choice. Regional influence also appears that those who are entrepreneurs generally living in rural areas. The results also show a significance with the odds ratio in the positive direction. It implies that work as an entrepreneur is more done in rural areas than in urban areas. Generally, jobs in urban areas are prevailed by formal jobs, such as employees or laborers.

# 4. CONCLUSIONS AND IMPLICATION OF THE RESEACH

#### 4.1 Conclusions

Refer to the theoretical framework, the cultural aspect has been influencing in shaping social identity and affecting individual choices, including economic activities. Based on the research problem at the beginning of the paper, can be concluded that related to the influence of ethnic culture in entrepreneurial decisions, the results of descriptive and statistical analyzes show that ethnic tendency in entrepreneurship has various variations. Several ethnic groups show that their culture potent influence on has а making entrepreneurial decisions than other ethnic groups. Among them are the Balinese, Batak, Chinese, South Sumatran, and Minang. This trend is not based on population size but based on an analysis of the percentage of choices. It also supports and enriches the previous theory regarding the significant relationship between entrepreneurship and ethnicity.

Furthermore, examining ethnic the migrants' status towards entrepreneurial decisions, we can see from the results of the test analyzing, some ethnic groups are very tight in entrepreneurship in their origins, such as the Balinese, Batak, Chinese, and South Sumatran. Meanwhile, there are ethnic groups that tend to do their business outside their native by migrating, they are the Minang. These results reinforce the theory that cultural teachings have often become the grip or philosophy of each individual from each group in every activity. Javanese people recognize the adage "Mangan ora mangan sing penting *kumpul* (although we can eat or not as long as we always stay together)" which is very influential in making migratory decisions. It is different from the culture of wandering and entrepreneurship for the Minang ethnicity that is a form of self-existence to become an independent and free person to go anywhere. The principle of "Elok jadi kapalo samuik, daripado ikua gajah (It is better to be the head of an ant than to be the leg of an elephant)" can be interpreted that it is better to be a leader of a small group than to be a subordinate of a large organization, is the economic principle of most Minang people (Handaru, Pagita, & Parimita, 2015)

Regarding the examination of individual and household characteristics on entrepreneurial tendencies, we do multivariate analysis. The result shows that for most ethnicities in the study, both individual and household characteristics do more control and have a dominant effect than the role of ethnic influences. The impact is, it occurs on ethnicity, which the data has a large number of entrepreneurs but in statistical analysis has a marginal result. In this case, it happened to the Bugis, Madurese, and others.

#### 4.2 Implications of the research

The entrepreneurial tendency concluded can be influenced by references, experiences, lessons, and insights gained from outside. So, as a contribution to reduce open unemployment in Indonesia and strengthen macroeconomic flexibility, the ethnic groups that tend to have an entrepreneurial culture need to be supported and deserve to be appreciated. Meanwhile, to encourage the growth of interest in entrepreneurship in general, several things that might be done are:

- Government's 1. The focus on entrepreneurship, in general, is on the issue of ease of business capitalization, business licensing, and skills training. These efforts are good at developing a better level of business. However, this is only useful for those who are already running their business. Whereas what is more important is the effort to change the mindset of earning a living from depending on other people, then transform to extracting creativity and innovation from oneself by creating a job by himself. It is necessary to add an understanding and another concept about the meaning of having an income for the new workforce.
- 2. The authority can carry out an insightbased campaign that can encourage creativity and innovation, especially in ethnic areas with weak entrepreneurial tendencies. Because in the modern era, entrepreneurship opportunities are no longer hampered by classical factors such as accessibility, infrastructure, or high capital constraints. Information technology can be a doorway that could shorten various long roads that may have to be passed by entrepreneurs in the past. Technically, the Government can provide a forum for online creativity, where everyone from all ethnic groups can promote their business marketing.
- 3. The existing curriculum of lessons and education tends to create skills that prepare a skilled workforce goal, especially in the

managerial and manufacturing fields. There are not many lessons that teach or encourage entrepreneurial ideas. So it is not surprising that the higher someone's education level, the less likely he wants to be an entrepreneur. Because at that moment, the skill level of technical expertise and managerial ability will also be rising. The impact is that he will be very ready to be an employee, not to be an entrepreneur. The government should also include an entrepreneurial curriculum in every field of education. So that it will not provides skilled labor only but also generates creative potentials entrepreneurs.

4. In terms of policymaking, this finding implies that the importance of planning and decision-making with further consideration of the various characteristics of different ethnic groups, particularly in terms of job creation. Some policies may not have any impact when they are not well-targeted. Or it will have a good effect when it fits the needs of a particular ethnicity. So generalizing policies for various ethnic characteristics may produce different results. It will be better if there is more intense coordination between the Central Government and the Regional Government on labor market issues. Due to the fact that The Regional Governments are in the closest position to the characteristics of the local workforce.

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